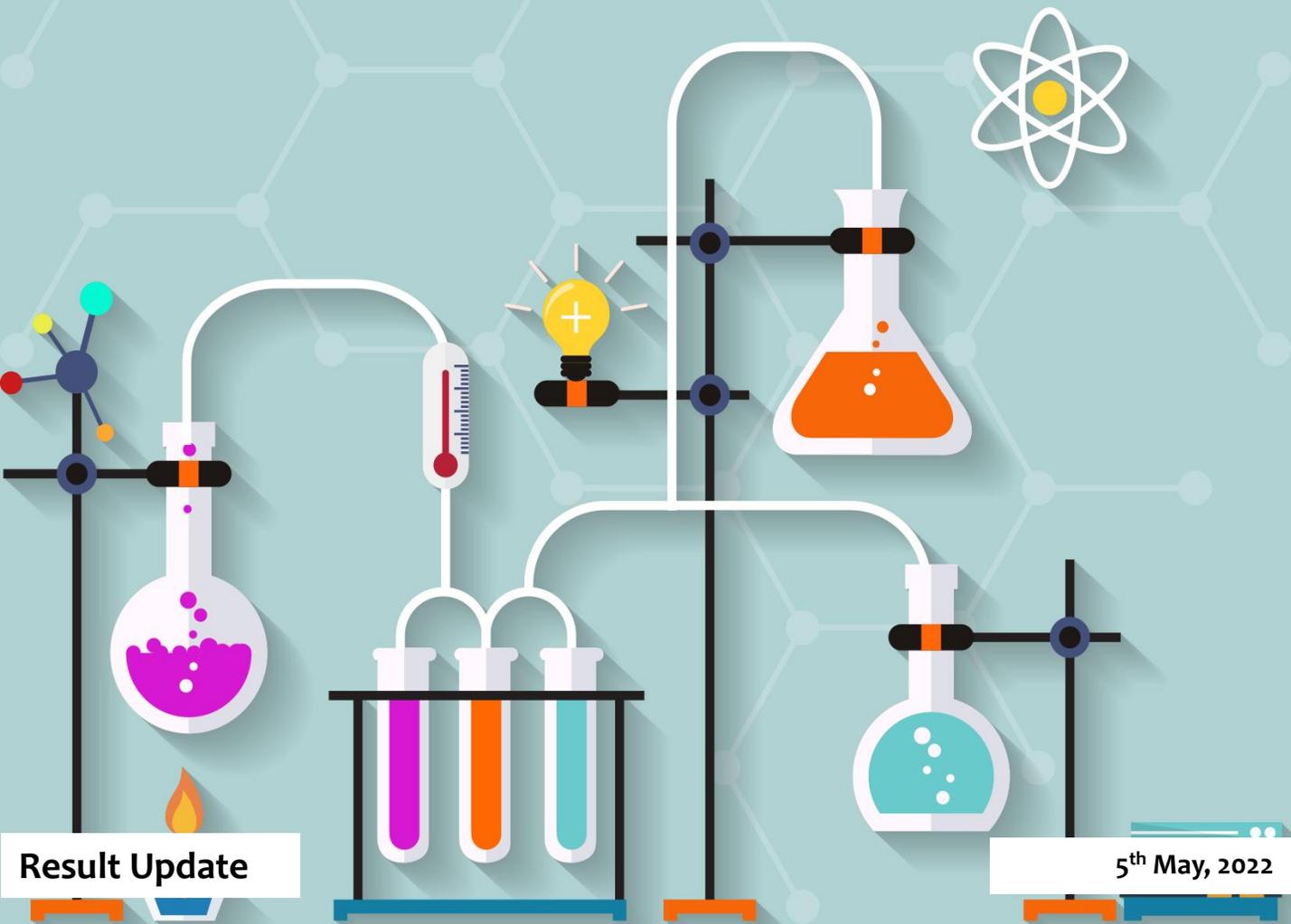


Solar Industries India Ltd.



Result Update

5th May, 2022

Solar Industries India Ltd.

Strong growth across segments; healthy outlook ahead

CMP INR 2,997	Target INR 3,330	Potential Upside 11.1%	Market Cap (INR Mn) INR 2,64,136	Recommendation ACCUMULATE	Sector Industrials
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Result Highlights of Q4FY22:

- For the quarter Q4FY22, the revenue from operations grew by 66.4% YoY/29.4% QoQ to INR 13,169 mn. For full year FY22, the revenues grew by 56.9% to 39,476 mn.
- The EBITDA grew by 41.1% YoY/19.7% QoQ to INR 5,006 mn. The margins grew by 247 bps QoQ and de-grew by 83 bps YoY to 20.0% in Q4FY22. For FY22, the EBITDA grew by 45.2% and margins de-grew by 153 bps to 18.9%
- The PAT grew by 83.9% YoY/66.4% QoQ to INR 1,748 mn. The margins grew by 272 bps QoQ and 125 bps YoY to 12.7% in Q4FY22. For FY22, the Net Profit grew by 58.1% to INR 4,555 mn and margins grew by 19 bps to 11.2%.
- The company recommended a dividend of INR 7.5 per share i.e. 375% on the face value of INR 2 per share.
- The company maintains a healthy order book of INR 29,820 mn.

MARKET DATA

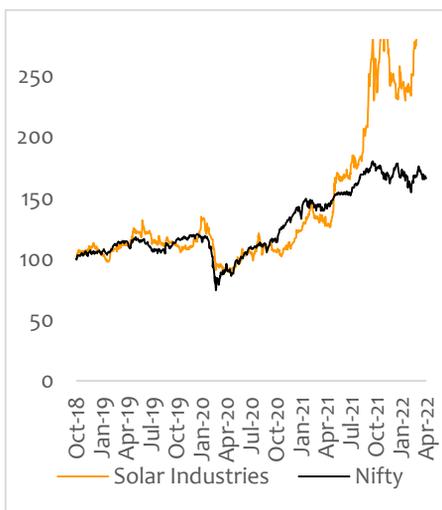
Shares outs (Mn)	90.4
Mkt Cap (INR Mn)	2,64,136
52 Wk H/L (INR)	3,150/1,200
Volume Avg (3m; K)	40
Face Value (INR)	2
Bloomberg Code	SOIL IN

KEY FINANCIALS

INR Millions	FY20	FY21	FY22	FY23E	FY24E
Revenue	22,373	25,156	39,476	47,329	54,575
EBITDA	4,343	5,146	7,473	9,040	10,697
Adj. PAT	2,674	2,764	4,413	5,925	7,090
Adj. EPS (INR)	29.6	30.5	48.8	65.5	78.3
EBITDA Margin	19.4%	20.5%	18.9%	19.1%	19.6%
NPM	12.0%	11.0%	11.2%	12.5%	13.0%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	55,669
NIFTY	16,678

Strong growth in financials supported by all segments

SOIL reported revenue from operations grew by 66.4% YoY/29.4% QoQ to INR 13,169 mn. Revenue was higher mainly due to better realization and volume growth in the across segment. Revenue from Coal India (CIL) increased 89.0% YoY constituting 18.0% of revenue, while non-CIL & institution segment was up 122.0% YoY, constituting 11.0% of revenue. Housing and Infra revenue contribution in Q4FY22 grew by 58% YoY constituting 31.0% of revenues. Revenue from Export & overseas business was robust, growing at 34.0% YoY contributing 37% to total revenue. Further, defense revenue was robust at 270% YoY basis, contributing 2% to total revenue. For full year FY22, the revenues grew by 56.9% to 39,476 mn. The EBITDA grew by 41.1% YoY/19.7% QoQ to INR 5,006 mn. The margins grew by 247 bps QoQ and de-grew by 83 bps YoY to 20.0% in Q4FY22. For FY22, the EBITDA grew by 45.2% and margins de-grew by 153 bps to 18.9%. The PAT grew by 83.9% YoY/66.4% QoQ to INR 1,748 mn. The margins grew by 272 bps QoQ and 125 bps YoY to 12.7% in Q4FY22. For FY22, the Net Profit grew by 58.1% to INR 4,555 mn and margins grew by 19 bps to 11.2%.

Strong order book and healthy outlook going ahead

The company's order book stands at INR 29,820 mn. The company is maintaining strong business growth of 30% and EBITDA margins in the range of 18%-20%. The company is confident of maintaining the business growth despite challenges. The sourcing of raw material have started from other countries which will enable them in the swift ongoing of the business. The company will continue focus on execution of their key priorities and strategic investments to increase the product portfolio and market presence.

SHARE HOLDING PATTERN (%)

Particulars	Mar-22 (%)	Dec-21 (%)	Sept-21 (%)
Promoters	73.2	73.2	73.2
FIIIs	6.3	6.4	5.8
DIIIs	15.2	15.4	16.2
Others	5.3	5.0	4.8
Total	100	100	100

17.6%

Revenue CAGR between FY22 and FY24E

26.8%

PAT CAGR between FY22 and FY24E

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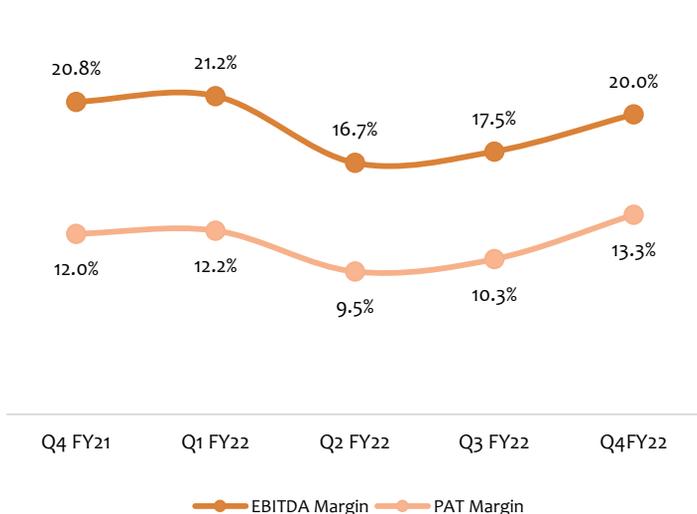
Key Concall Highlights:

- The company has achieved healthy revenue growth of 57%, with corporate increasing by 58% for the year despite of supply chain and geopolitical disturbances. This was the best ever in the history of the company and reflects all around performances across sectors, and geographies wherever they are operating.
- The company is set to enter FY23 with continued focus on execution of their key priorities and strategic investments to increase the product portfolio and market presence. They are targeting a business growth of 30% plus in FY 23 despite the headwinds.
- With the Government of India, substantial increase in allocation and policy support for housing roads railways and defense sectors, they will see a very good opportunity for sustained growth in their businesses.
- The company declared a dividend of INR 7.5 per share for the current year as compared to INR 6 per share in the previous year.
- The raw material price of ammonium nitrate has increased by almost 79% in the previous year and they are unable to increase the same prices to their customers. But they are taking up the issues with Coal India and Singareni and hopefully in couple of months, they will be able to raise their prices to the team of increasing raw material.
- Looking at the highly elevated raw material prices, they believe that any margin around 18% to 20% should be a sustainable and that is what they are maintaining for the coming year as well.
- The company is able to manage the supply chain despite multiple challenges. Hence they are confident of serving their customers and not getting impacted by supply chain disruptions.
- The company has started to source raw materials from countries other than Russia and also believes that going ahead, domestic production should start scaling up and help them reduce their dependency on imports.
- The Group has made strategic investment in ZMotion Autonomous Systems Private Limited (ZMotion) by acquiring equity shares equivalent to 25.11% of the issued and paid-up equity share capital of ZMotion in April'22. Solar's strategic investment in ZMotion will strengthen its initiative to introduce weaponized Unmanned Aerial Vehicles (UAV) for Offensive and Counter Drone Systems for Defensive Roles.

Valuation and view

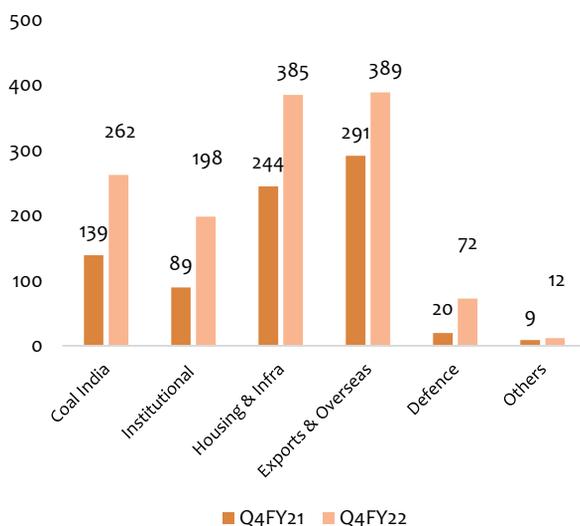
The company reported strong set of earnings in FY22 driven by growth in all business verticals. The company's entry into new geographies along with market share gains in existing business is likely to drive earnings growth in the coming quarters. The management remains optimistic and expects strong business growth going ahead. **At CMP of INR 2,997, Solar Industries is trading at a P/E of 46.0x/38.0x FY23E/24E EPS. We are applying a P/E multiple of 42.5x (earlier 40x) to the FY24E EPS of 78.3/share, implying a target price of 3,330 per share, yielding an upside potential of 11.1%; hence we recommend "ACCUMULATE" rating on the stock.**

Quarterly Trend of EBITDA & PAT Margin



Source: Company, KRChoksey Research

Revenue Mix in Cr (Q4FY22 vs Q4FY21)



Source: Company, KRChoksey Research

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Solar Industries India Ltd.

KEY FINANCIALS

Exhibit 1: Profit & Loss Statement (Consolidated)

INR Millions	FY 20	FY21	FY 22	FY23E	FY24E
Revenues	22,373	25,156	39,476	47,329	54,575
COGS	12,150	13,468	23,273	25,889	29,580
Gross profit	10,223	11,689	16,203	21,440	24,995
Employee cost	2,066	2,306	2,896	3,644	4,202
Other expenses	3,814	4,236	5,834	8,756	10,096
EBITDA	4,343	5,146	7,473	9,040	10,697
<i>EBITDA Margin</i>	19.4%	20.5%	18.9%	19.1%	19.6%
Depreciation & amortization	845	935	1,093	145	198
EBIT	3,498	4,211	6,380	8,895	10,499
Interest expense	550	454	503	810	810
Other income	411	214	197	276	317
Exceptional items loss (profit)	0	0	0	0	0
PBT	3,358	3,971	6,074	8,361	10,005
Tax	571	1,090	1,520	2,092	2,503
Minority Interest	112	117	142	345	413
PAT	2,674	2,764	4,413	5,925	7,090
Adj. PAT	2,674	2,764	4,413	5,925	7,090
EPS (INR)	29.6	30.5	48.8	65.5	78.3
Adj. EPS (INR)	29.6	30.5	48.8	65.5	78.3

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement (Consolidated)

INR Millions	FY 20	FY 21	FY 22	FY 23E	FY 24E
Net Cash Generated From Operations	(21,587)	3,567	2,978	6,992	2,075
Net Cash Flow from/(used in) Investing Activities	(2,135)	(2,507)	(3,031)	8,764	(2,558)
Net Cash Flow from Financing Activities	(316)	(261)	(454)	2,353	2,835
Net Inc/(Dec) in cash equivalents	(24,511)	774	(853)	3,927	4,442
Opening Balance	61	926	1,699	847	4,012
Cash and cash equivalents at the end of the period	926	1,699	847	4,012	4,456

Source: Company, KRChoksey Research

Exhibit 3: Ratios (Consolidated)

Key Ratio	FY 20	FY 21	FY 22	FY 23E	FY 24E
EBITDA Margin (%)	19.4%	20.5%	18.9%	19.1%	19.6%
Net Profit Margin (%)	12.0%	11.0%	11.2%	12.5%	13.0%
RoE (%)	35.6%	18.7%	25.3%	27.7%	27.0%
RoCE (%)	35.8%	21.0%	26.2%	30.2%	28.9%
Current Ratio (x)	1.3x	1.5x	1.6x	2.0x	2.1x
Adj. EPS (INR)	29.6	30.5	48.8	65.5	78.3

Source: Company, KRChoksey Research

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Solar Industries India Ltd.

Exhibit 4: Balance Sheet (Consolidated)

INR Millions	FY 20	FY 21	FY 22	FY 23E	FY 24E
Current assets					
Inventories	3,310	4,405	7,189	6,738	7,699
Investments	0	0	0	0	0
Trade Receivables	3,703	4,555	5,411	6,483	7,476
Cash and Cash Equivalents	926	1,699	847	4,012	4,456
Other bank balances	276	113	141	141	141
Loans	57	42	82	82	82
Other financial assets	866	625	931	1,893	2,183
Other assets	698	819	2,009	1,657	1,910
Total current assets	9,835	12,257	16,610	21,006	23,947
Non-current assets					
Property, plant and equipment	11,474	12,165	14,164	16,581	19,990
Capital work in progress	1,522	2,824	2,211	2,211	2,211
Goodwill	99	96	99	99	99
Other intangible assets	344	365	410	417	601
Intangible assets under development	127	105	92	92	92
Investments	23	10	182	182	182
Loan	211	207	158	158	158
Other financial assets	235	849	1,347	1,893	2,183
Deferred tax assets	515	703	949	1,183	1,364
Current tax assets	300	217	305	305	305
Other non-current assets	468	251	433	521	600
Right of use assets	169	250	255	255	255
Non-current assets held for sale	0	0	29	0	0
Total non-current assets	15,488	18,041	20,634	20,634	28,041
TOTAL ASSETS	25,323	30,297	37,243	43,022	51,988
EQUITY AND LIABILITIES					
Current liabilities					
Borrowings	3,574	3,529	4,303	4,000	4,000
Trade Payables	1,544	2,861	4,649	4,398	5,024
Other financial liabilities	1,536	580	44	473	546
Current tax liabilities	32	179	219	219	219
Other current liabilities	550	937	1,323	1,420	1,637
Provisions	85	108	115	189	218
Total current liabilities	7,322	8,194	10,653	10,699	11,645
Non-current liabilities					
Borrowings	2,528	4,332	4,359	4,100	4,100
Deferred tax liabilities	1,049	1,164	1,371	3,254	5,506
Lease liability	0	0	175	0	0
Total non-current liabilities	3,686	5,682	6,441	7,354	9,606
Equity					
Share capital	181	181	181	181	181
Other equity	13,620	15,613	18,962	23,437	28,792
Minority interest	515	627	1,006	1,351	1,764
Total Equity	14,316	16,421	20,149	24,969	30,737
Total liabilities and equity	25,323	30,297	37,243	43,022	51,988

Source: Company, KRChoksey Research

Solar Industries India Ltd.

Solar Industries Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
05-May-22	2,997	3,330	ACCUMULATE	Buy	More than 15%
03-Feb-22	2,332	2,551	ACCUMULATE	Accumulate	5% – 15%
01-Nov-21	2,487	2,551	HOLD		
30-Jul-21	1,705	1,832	ACCUMULATE	Hold	0 – 5%
30-Jun-21	1,587	1,693	ACCUMULATE	Reduce	-5% – 0
29-May-21	1,405	1,602	ACCUMULATE	Sell	Less than – 5%
17-Mar-21	1,322	1,350	HOLD		

ANALYST CERTIFICATION:

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